

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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R 230800Z DEC 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5696

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USLO PEKING

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E.O. 11652: N/A

TAGS: ETRD, JA, CH

SUBJECT: FUJIYAMA AND INAYAMA BUSINESS MISSIONS TO PRC

1. SUMMARY: MITI OFFICIALS HAVE DENIED RECENT PRESS REPORTS THAT FUJIYAMA DELEGATION, WHICH IS CURRENTLY IN PRC, WILL PRESENT GOJ-SANCTIONED PROPOSALS FOR TRIPLING TOTAL TRADE AND JAPAN'S IMPORTS OF CHINESE OIL OVER NEXT FIVE YEARS. MITI CHARACTERIZES PRIVATE-LEVEL FUJIYAMA GROUP AND JANUARY 1976 OFFICIALLY SPONSORED INAYAMA MISSION AS REPRESENTING THE RIVAL INTERESTS OF THE TWO COMPANIES LICENSED TO IMPORT CHINESE OIL. ACCORDING TO MITI, NEITHER GROUP, HOWEVER, WILL BE MAKING LONG-TERM TRADE PROPOSALS TO CHINESE ON GOJ'S BEHALF. THESE, MITI REPS STATED, WILL REQUIRE SEVERAL MORE MONTHS STUDY WITHIN GOJ. END SUMMARY.

2. IN DEC. 22 DISCUSSION OF RECENT PRESS REPORTS RE SEPARATE BUSINESS MISSIONS TO CHINA HEADED BY RETIRED LDP

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DIETMAN AIICHIRO FUJIYAMA AND NIPPON STEEL CHAIRMAN OF

THE BOARD, YOSHIHIRO INAYAMA, MITI OFFICIALS EXPLAINED THAT FUJIYAMA GROUP, WHICH DEPARTED DEC 19 FOR ONE-WEEK STAY IN PRC, IS PURELY ON PRIVATE-LEVEL WHILE INAYAMA MISSION, SCHEDULED TO VISIT CHINA IN MID-JANUARY, WILL REPRESENT GOJ-SUBSIDIZED JAPAN-CHINA ECONOMIC ASSN. (JCEA). MITI OFFICIALS (OIKAWA, YANAGIE, AND TANAKA, NORTH ASIA DIV., INTERNATIONAL TRADE ADMINISTRATION BUREAU) DISCOUNTED NEWS ARTICLES WHICH HAVE STATED THAT FUJIYAMA GROUP WILL PRESENT GOJ PLAN TO CHINESE CALLING FOR TRIPLING OF BOTH TOTAL BILATERAL TRADE, (TO 10 BILLION DOL/YR.) AND OF JAPAN'S IMPORTS OF CHINESE OIL (TO 30 MILLION METRIC TONS/YR.) BY 1980.

2. MITI REPS REAFFIRMED ITI MINISTER KOMOTO'S STATEMENTS, MADE DURING HIS RECENT CHINA TRIP, THAT GOJ WISHES TO ENTER INTO LONG-TERM TRADE AGREEMENTS WITH PRC ON OIL AND OTHER ITEMS BUT ADDED THAT BEFORE MEANINGFUL PROPOSALS CAN BE MADE TO CHINESE THERE WILL HAVE TO BE CONSIDERABLE STUDY OF ECONOMIC PLANNING AGENCY'S FORTHCOMING (SPRING 1976) FIVE-YEAR PLAN AND OF OVERALL GOJ ENERGY AND OIL POLICY AS WELL AS UNDERSTANDINGS WITH THE CHINESE RE PRICE AND QUALITY OF OIL AND WITH DOMESTIC REFINERS RE FINANCING FOR CONVERSION OF REFINING FACILITIES FROM MIDDLE EASTERN TO CHINESE CRUDE.

3. OIKAWA SUGGESTED THAT TRADE TARGETS DEVELOPED BY FUJIYAMA GROUP (JAPAN INTERNATIONAL TRADE PROMOTION ASSN) REPRESENT THINKING OF TRADING FIRMS WHICH DOMINATE THIS KANSAI-ORIENTED ORGANIZATION. HE SAID HE THOUGHT THE GROUP'S FIGURES WOULD FALL WITHIN THE RANGE OF POSSIBILITIES WHICH MITI WILL BE STUDYING OVER THE COMING MONTHS BUT THAT THEY MAY BE SOMEWHAT OPTIMISTIC, REFLECTING TRADING COMPANIES' DESIRE TO SELL MORE TO CHINA AND THEIR REALIZATION THAT THEIR ABILITY TO DO SO WILL HINGE ON JAPAN'S ABILITY TO EXPAND IMPORTS, PRIMARILY OF OIL, FROM CHINA. OIKAWA ATTRIBUTED INTENSE INTEREST IN CHINESE OIL IN THE MIDST OF OTHER-WISE DEPRESSED OIL MARKET TO THIS AWARENESS THAT OPPORTUNITIES FOR EXPORTING TO CHINA WILL INCREASE ONLY TO EXTENT THAT CHINA'S TRADE DEFICIT WITH JAPAN LIMITED OFFICIAL USE

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CAN BE CORRECTED. ANOTHER FACTOR INFLUENCING FUJIYAMA TRADE PROJECTIONS, HE SPECULATED, IS THAT FUJIYAMA IS CHIEF EXECUTIVE OF JAPAN IMPORTERS' CONFERENCE FOR CHINESE PETROLEUM, THE SMALLER OF THE TWO COS. LICENSED UNDER JAPANESE LAW TO IMPORT CHINESE OIL. THUS HE MAY SEE RAPID EXPANSION OF TRADE AS OFFERING BEST OPPORTUNITY TO INCREASE MARKET SHARE (CURRENTLY ABOUT 25 PERCENT) OF HIS FIRM.

4. INAYAMA, MITI OFFICIAL NOTED, IS PRESIDENT OF KOKUSAI OIL COMPANY, LTD., THE OTHER FIRM LICENSED TO IMPORT CHINESE OIL. THUS, HE OBSERVED, THE TWO BUSINESS MISSIONS REFLECT THE RIVALRY BETWEEN OIL COMPANIES AND THE INTERESTS OF THEIR SHAREHOLDERS. (OIL REFINERS, POWER COS. AND STEEL MAKERS OWN "KOKUSAI" WHILE THE "CONFERENCES" INVESTORS ARE EIGHT GENERAL TRADING CO'S.) ALSO INCLUDED IS A TOUCH OF THE HISTORICAL RIVALRY BETWEEN TOKYO AND OSAKA FOR LEADERSHIP IN THE CHINA TRADE.

5. MITI REPS INDICATED GOJ-JCEA CONSULTATIONS FOR JAN. MISSION TO PRC ARE IN PROGRESS BUT THAT NO CONCRETE PROPOSALS ON OIL OR OVERALL TRADE VOLUME HAVE YET EMERGED FROM THESE PREPARATIONS, EVEN FOR THE COMING FY. OIKAWA SUGGESTED THAT THIS IMMEDIATE PROBLEM WILL GET MUCH ATTENTION IN BOTH MISSIONS' TALKS WITH PRC OFFICIALS. HODGSON

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